



**Auditor of State  
Betty Montgomery**



**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
LICKING COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education  
Granville Exempted Village School District  
Licking County  
P.O. Box 417  
Granville, Ohio 43023-0417

We have audited the accompanying general-purpose financial statements of the Granville Exempted Village School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery".

**BETTY MONTGOMERY**  
Auditor of State

January 17, 2003

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GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Cash and Cash Equivalents	\$3,294,657	\$552,457	\$15,683,733	\$1,864,823
Investments	0	0	1,978,610	0
Cash and Cash Equivalents in Segregated Accounts	0	249	199,444	0
<u>Receivables:</u>				
Property and Other Local Taxes	8,690,650	110,404	383,195	1,977,401
Accounts	4,101	1,371	9,453	0
Intergovernmental	724	9,810	0	0
Accrued Interest	560	0	0	0
Materials and Supplies Inventory	3,518	0	0	0
Prepaid Items	11,207	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in General				
Obligation Bond Retirement Fund	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
<b>Total Assets and Other Debits</b>	<b><u>\$12,005,417</u></b>	<b><u>\$674,291</u></b>	<b><u>\$18,254,435</u></b>	<b><u>\$3,842,224</u></b>
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$33,431	\$14,208	\$41,671	\$0
Contracts Payable	0	0	1,348,904	0
Retainage Payable	0	0	365,123	0
Accrued Wages and Benefits	1,281,895	12,150	0	0
Compensated Absences Payable	110,118	0	0	0
Intergovernmental Payable	285,895	1,146	0	0
Deferred Revenue	8,224,487	113,442	362,249	1,878,005
Accrued Interest Payable	0	0	43,644	0
Notes Payable	0	0	10,000,000	0
Due to Students	0	0	0	0
Due to Others	0	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Notes Payable	0	0	0	0
School Improvement Bonds Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b><u>9,935,826</u></b>	<b><u>140,946</u></b>	<b><u>12,161,591</u></b>	<b><u>1,878,005</u></b>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
<u>Fund Balances:</u>				
Reserved for Encumbrances	141,332	107,319	11,448,980	0
Reserved for Inventory	3,518	0	0	0
Reserved for Property Taxes	395,800	6,200	19,000	90,600
Unreserved (Deficit)	1,528,941	419,826	(5,375,136)	1,873,619
<b>Total Fund Equity and Other Credits</b>	<b><u>2,069,591</u></b>	<b><u>533,345</u></b>	<b><u>6,092,844</u></b>	<b><u>1,964,219</u></b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$12,005,417</u></b>	<b><u>\$674,291</u></b>	<b><u>\$18,254,435</u></b>	<b><u>\$3,842,224</u></b>

See accompanying notes to the general purpose financial statements



FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
AGENCY			
\$70,520	\$0	\$0	\$21,466,190
0	0	0	1,978,610
0	0	0	199,693
0	0	0	11,161,650
0	0	0	14,925
0	0	0	10,534
0	0	0	560
0	0	0	3,518
0	0	0	11,207
0	36,129,062	0	36,129,062
0	0	1,964,219	1,964,219
0	0	23,849,273	23,849,273
<u>\$70,520</u>	<u>\$36,129,062</u>	<u>\$25,813,492</u>	<u>\$96,789,441</u>
\$0	\$0	\$0	\$89,310
0	0	0	1,348,904
0	0	0	365,123
0	0	0	1,294,045
0	0	446,235	556,353
0	0	77,524	364,565
0	0	0	10,578,183
0	0	0	43,644
0	0	0	10,000,000
63,267	0	0	63,267
7,253	0	0	7,253
0	0	119,322	119,322
0	0	142,000	142,000
0	0	21,216,573	21,216,573
0	0	3,811,838	3,811,838
<u>70,520</u>	<u>0</u>	<u>25,813,492</u>	<u>50,000,380</u>
0	36,129,062	0	36,129,062
0	0	0	11,697,631
0	0	0	3,518
0	0	0	511,600
0	0	0	(1,552,750)
<u>0</u>	<u>36,129,062</u>	<u>0</u>	<u>46,789,061</u>
<u>\$70,520</u>	<u>\$36,129,062</u>	<u>\$25,813,492</u>	<u>\$96,789,441</u>

GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL (MEMORANDUM ONLY)
<u>Revenues:</u>					
Property Taxes	\$8,397,161	\$116,600	\$986,702	\$1,139,989	\$10,640,452
Intergovernmental	4,982,492	699,905	58,940	228,505	5,969,842
Interest	187,181	1,962	614,104	139,247	942,494
Tuition and Fees	145,705	0	0	0	145,705
Rent	16,161	0	0	0	16,161
Extracurricular Activities	0	229,269	0	0	229,269
Gifts and Donations	0	196,691	0	0	196,691
Miscellaneous	41,768	1,572	4,603	0	47,943
Total Revenues	<u>13,770,468</u>	<u>1,245,999</u>	<u>1,664,349</u>	<u>1,507,741</u>	<u>18,188,557</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	7,914,666	196,485	96,330	0	8,207,481
Special	584,659	47,856	0	0	632,515
Vocational	111,796	0	0	0	111,796
Support Services:					
Pupils	728,457	319,150	0	0	1,047,607
Instructional Staff	714,538	111,451	0	0	825,989
Board of Education	76,656	0	0	0	76,656
Administration	1,106,349	122,619	0	0	1,228,968
Fiscal	400,516	14,943	10,105	30,493	456,057
Business	8,800	554	0	0	9,354
Operation and Maintenance	1,131,338	33,576	24,584	0	1,189,498
Pupil Transportation	945,098	86	34,226	0	979,410
Central	36,888	27,605	13,000	0	77,493
Operation of Non-Instructional Services	0	7,288	0	0	7,288
Extracurricular Activities	249,678	178,792	0	0	428,470
Capital Outlay	0	18,400	13,895,255	0	13,913,655
Debt Service:					
Principal Retirement	35,100	0	0	21,840,000	21,875,100
Interest and Fiscal Charges	11,104	0	369,400	1,354,466	1,734,970
Total Expenditures	<u>14,055,643</u>	<u>1,078,805</u>	<u>14,442,900</u>	<u>23,224,959</u>	<u>52,802,307</u>
Excess of Revenues Over (Under) Expenditures	(285,175)	167,194	(12,778,551)	(21,717,218)	(34,613,750)
<u>Other Financing Sources and Uses:</u>					
Proceeds from the Sale of Bonds	0	0	0	21,209,782	21,209,782
Premium on Bonds Sold	0	0	0	835,218	835,218
Premium on Sale of Notes	0	0	23,400	0	23,400
Operating Transfers In	0	0	10,000,000	0	10,000,000
Operating Transfers Out	0	0	0	(10,000,000)	(10,000,000)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>10,023,400</u>	<u>12,045,000</u>	<u>22,068,400</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(285,175)	167,194	(2,755,151)	(9,672,218)	(12,545,350)
Fund Balances at Beginning of Year	2,352,792	366,151	8,847,995	11,636,437	23,203,375
Increase in Reserve for Inventory	1,974	0	0	0	1,974
Fund Balances at End of Year	<u>\$2,069,591</u>	<u>\$533,345</u>	<u>\$6,092,844</u>	<u>\$1,964,219</u>	<u>\$10,659,999</u>

See accompanying notes to the general purpose financial statements

GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Revenues:</u>			
Property Taxes	\$8,680,186	\$8,680,186	\$0
Intergovernmental	4,881,115	4,982,492	101,377
Interest	145,853	213,520	67,667
Tuition and Fees	145,684	145,685	1
Rent	16,161	16,161	0
Extracurricular	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	42,683	42,683	0
Total Revenues	<u>13,911,682</u>	<u>14,080,727</u>	<u>169,045</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	8,034,919	7,628,108	406,811
Special	609,966	580,097	29,869
Vocational	126,801	120,277	6,524
Other	132,407	125,895	6,512
Adult Continuing	0	0	0
Support Services:			
Pupils	761,124	722,470	38,654
Instructional Staff	771,295	729,545	41,750
Board of Education	97,451	91,404	6,047
Administration	1,163,201	1,101,781	61,420
Fiscal	435,833	414,257	21,576
Business	9,247	8,800	447
Operation and Maintenance	1,298,700	1,225,447	73,253
Pupil Transportation	1,030,241	979,420	50,821
Central	38,401	36,375	2,026
Non-Instructional Services	0	0	0
Extracurricular Activities	258,463	245,906	12,557
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>14,768,049</u>	<u>14,009,782</u>	<u>758,267</u>
Excess of Revenues Over (Under) Expenditures	<u>(856,367)</u>	<u>70,945</u>	<u>927,312</u>
<u>Other Financing Sources:</u>			
Proceeds from the Sale of Bonds	0	0	0
Proceeds from the Sale of Notes	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	<u>(856,367)</u>	<u>70,945</u>	<u>927,312</u>
Fund Balances at Beginning of Year	2,907,400	2,907,400	0
Prior Year Encumbrances Appropriated	155,334	155,334	0
Fund Balances at End of Year	<u>\$2,206,367</u>	<u>\$3,133,679</u>	<u>\$927,312</u>

(Continued)

GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
 (Continued)

	SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Revenues:</u>			
Property Taxes	\$120,622	\$120,623	\$1
Intergovernmental	697,581	701,955	4,374
Interest	1,909	1,962	53
Tuition and Fees	0	0	0
Rent	0	0	0
Extracurricular	228,518	229,722	1,204
Gifts and Donations	197,611	197,991	380
Miscellaneous	547	547	0
Total Revenues	<u>1,246,788</u>	<u>1,252,800</u>	<u>6,012</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	256,211	188,372	67,839
Special	48,360	46,013	2,347
Vocational	0	0	0
Other	30,070	20,730	9,340
Adult Continuing	900	900	0
Support Services:			
Pupils	388,248	347,080	41,168
Instructional Staff	130,074	129,842	232
Board of Education	0	0	0
Administration	177,083	124,763	52,320
Fiscal	36,518	15,066	21,452
Business	4,436	553	3,883
Operation and Maintenance	191,862	63,616	128,246
Pupil Transportation	250	86	164
Central	32,605	31,781	824
Non-Instructional Services	11,241	11,018	223
Extracurricular Activities	207,586	179,356	28,230
Capital Outlay	106,298	34,555	71,743
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>1,621,742</u>	<u>1,193,731</u>	<u>428,011</u>
Excess of Revenues Over (Under) Expenditures	<u>(374,954)</u>	<u>59,069</u>	<u>434,023</u>
<u>Other Financing Sources:</u>			
Proceeds from the Sale of Bonds	0	0	0
Proceeds from the Sale of Notes	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	<u>(374,954)</u>	<u>59,069</u>	<u>434,023</u>
Fund Balances at Beginning of Year	229,317	229,317	0
Prior Year Encumbrances Appropriated	149,201	149,201	0
Fund Balances at End of Year	<u>\$3,564</u>	<u>\$437,587</u>	<u>\$434,023</u>

CAPITAL PROJECTS FUNDS			DEBT SERVICE FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$374,749	\$375,098	\$349	\$1,818,819	\$1,821,639	\$2,820
50,239	58,940	8,701	228,504	228,505	1
570,690	594,463	23,773	206,912	139,247	(67,665)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
995,678	1,028,501	32,823	2,254,235	2,189,391	(64,844)
112,744	112,742	2	0	0	0
8,556	8,556	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
6,792	6,806	(14)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
6,519	6,518	1	30,632	30,493	139
0	0	0	0	0	0
5,783	5,783	0	0	0	0
80,772	80,772	0	0	0	0
25,205	14,000	11,205	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
27,860,490	25,646,626	2,213,864	0	0	0
0	0	0	36,071,718	41,840,000	(5,768,282)
0	0	0	7,969,608	2,001,608	5,968,000
28,106,861	25,881,803	2,225,058	44,071,958	43,872,101	199,857
(27,111,183)	(24,853,302)	2,257,881	(41,817,723)	(41,682,710)	135,013
0	0	0	22,045,000	22,045,000	0
0	0	0	10,023,400	10,023,400	0
0	0	0	32,068,400	32,068,400	0
(27,111,183)	(24,853,302)	2,257,881	(9,749,323)	(9,614,310)	135,013
26,063,559	26,063,559	0	11,479,133	11,479,133	0
3,459,065	3,459,065	0	0	0	0
\$2,411,441	\$4,669,322	\$2,257,881	\$1,729,810	\$1,864,823	\$135,013

(Continued)

GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
 (Continued)

	TOTAL (MEMORANDUM ONLY)		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Revenues:</u>			
Property Taxes	\$10,994,376	\$10,997,546	\$3,170
Intergovernmental	5,857,439	5,971,892	114,453
Interest	925,364	949,192	23,828
Tuition and Fees	145,684	145,685	1
Rent	16,161	16,161	0
Extracurricular	228,518	229,722	1,204
Gifts and Donations	197,611	197,991	380
Miscellaneous	43,230	43,230	0
Total Revenues	18,408,383	18,551,419	143,036
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	8,403,874	7,929,222	474,652
Special	666,882	634,666	32,216
Vocational	126,801	120,277	6,524
Other	162,477	146,625	15,852
Adult Continuing	900	900	0
Support Services:			
Pupils	1,149,372	1,069,550	79,822
Instructional Staff	908,161	866,193	41,968
Board of Education	97,451	91,404	6,047
Administration	1,340,284	1,226,544	113,740
Fiscal	509,502	466,334	43,168
Business	13,683	9,353	4,330
Operation and Maintenance	1,496,345	1,294,846	201,499
Pupil Transportation	1,111,263	1,060,278	50,985
Central	96,211	82,156	14,055
Non-Instructional Services	11,241	11,018	223
Extracurricular Activities	466,049	425,262	40,787
Capital Outlay	27,966,788	25,681,181	2,285,607
Debt Service:			
Principal Retirement	36,071,718	41,840,000	(5,768,282)
Interest and Fiscal Charges	7,969,608	2,001,608	5,968,000
Total Expenditures	88,568,610	84,957,417	3,611,193
Excess of Revenues Over (Under) Expenditures	(70,160,227)	(66,405,998)	3,754,229
<u>Other Financing Sources (Uses):</u>			
Proceeds from the Sale of Bonds	22,045,000	22,045,000	0
Proceeds from the Sale of Notes	10,023,400	10,023,400	0
Total Other Financing Sources (Uses)	32,068,400	32,068,400	0
Sources Over (Under) Expenditures and Other Financing Uses	(38,091,827)	(34,337,598)	3,754,229
Fund Balances at Beginning of Year	40,679,409	40,679,409	0
Prior Year Encumbrances Appropriated	3,763,600	3,763,600	0
Fund Balances at End of Year	\$6,351,182	\$10,105,411	\$3,754,229

See accompanying notes to the general purpose financial statements

## Granville Exempted Village School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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### **NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Granville Exempted Village School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in the late 1800's. The School District serves an area of approximately 48 square miles. It is located in Licking County, and includes all of the Village of Granville and Granville Township as well as portions of the Cities of Newark and Heath and portions of Newark, Newton, McKean, St. Albans and Union Townships. It is staffed by 54 non-certificated employees, 134 certificated full-time personnel and 9 administrative employees who provide services to 1,938 full-time equivalent students. The School District currently operates three instructional buildings, one administrative building, and one garage.

#### **Reporting Entity:**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Granville Exempted Village School District, this includes general operations and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The following activities are included within the reporting entity:

**Private Schools** - Welsh Hills and Grace Haven Academy, private schools, operate within the School District boundaries. Current State legislation provides funding to these private schools. These monies are received and disbursed on behalf of the private schools by the Treasurer of the School District, as directed by the private schools in accordance with State rules and regulations. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District participates in ten organizations, six of which are defined as jointly governed organizations, three as insurance purchasing pools, and one as a related organization. These organizations are the Licking Area Computer Association, Licking County Joint Vocational School, Metropolitan Educational Council, Central Ohio Special Education Regional Resource Center, the School Study Council of Ohio, the Newark-Granville Community Authority, the Ohio School Board Association Workers' Compensation Group Rating Plan, the Metropolitan Educational Council Group insurance Pool, the Ohio School Plan, and the Granville Schools Charitable Foundation Incorporated. These organizations are presented in Notes 16, 17, and 18 to the general purpose financial statements.

## Granville Exempted Village School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Granville Exempted Village School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

#### **A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

#### **Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

**General Fund** - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund** - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

**Capital Projects Funds** - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

#### **Fiduciary Fund Type:**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The only fiduciary funds of the School District are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.



## Granville Exempted Village School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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### Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group** - This account group is established to account for all fixed assets of the School District.

**General Long-Term Obligations Account Group** - This account group is established to account for all long-term obligations of the School District.

### **B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place, provided the resources are available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied, provided the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

## **Granville Exempted Village School District, Ohio**

### Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

#### **C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations by fund cannot exceed estimated resources, as certified. The estimated revenues which appear on the financial statements reflect estimated resource amounts at the time final appropriations were passed.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has been given the authority to allocate appropriations to the function and object level within each fund.

#### **Tax Budget:**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Licking County Budget Commission for rate determination.

#### **Estimated Resources:**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts that were in effect at the time final appropriations were passed by the Board of Education.

#### **Appropriations:**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District.

## **Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

### **Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for the governmental funds.

### **Lapsing of Appropriations:**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

### **D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, except for some construction monies, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the balance sheet.

The School District has segregated bank accounts for the athletic account and the retainage escrow account monies held separate from the School District's central bank account. These checking accounts are presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District treasury.

During fiscal year 2002, investments were limited to STAR Ohio, repurchase agreements, and federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

## **Granville Exempted Village School District, Ohio**

### Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$187,181, which includes \$21,259 assigned from other School District funds.

For purposes of the presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

#### **E. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

#### **F. Receivables and Payables**

Receivables and payables to be recorded on the School District's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

#### **G. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### **H. Inventory**

Inventories of governmental funds are stated at cost on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

#### **I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

## **Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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### **J. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized.

Assets in the general fixed assets account group are not depreciated.

### **K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for the accumulated unused vacation time when earned for all employees with more than one year service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified employees after 11 years current service with the School District and for certified employees and administrators after 20 years of service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

### **L. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and early retirement incentives that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year-end are considered not to have used current available financial resources. Bonds, notes, loans, and capital leases are reported as a liability of the general long-term obligations account group until due.

## **Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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Under Ohio law, a debt retirement fund must be created and used for the payment of bond anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the activity of the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

### **M. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

### **N. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

### **NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

**Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>
GAAP Basis	(\$285,175)	\$167,194	(\$2,755,151)	(\$9,672,218)
Revenue Accruals	302,345	6,801	7,334	57,908
Expenditure Accruals	206,688	(56)	1,165,278	0
DS-Principal	0	0	0	(20,000,000)
DS-Interest Reallocation	0	0	369,400	(647,142)
Note Proceeds	0	0	(23,400)	10,023,400
Tax Revenue Reallocation	0	0	(623,742)	623,742
Prepaid Items	(4,897)	0	0	0
GASB 31	7,911	0	(19,439)	0
Transfers-(In) Out	0	0	(10,000,000)	10,000,000
Encumbrances	<u>(155,927)</u>	<u>(114,870)</u>	<u>(12,973,582)</u>	<u>0</u>
Budget Basis	<u>\$70,945</u>	<u>\$59,069</u>	<u>(\$24,853,302)</u>	<u>(\$9,614,310)</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

## Granville Exempted Village School District, Ohio

### Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that the investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classification by at least two nationally recognized rating agencies.



**Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was (\$1,059,641) and the bank balance was \$458,835. Of the bank balance, \$296,704 was covered by federal depository insurance and \$162,131 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 2	Carrying and Fair Value
STAR Ohio	\$0	\$20,605,761
Repurchase Agreements	1,625,763	1,625,763
Federal Home Loan Bank Notes	2,472,610	2,472,610
Total	<u>\$4,098,373</u>	<u>\$24,704,134</u>

The federal agency securities mature in February 2003.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

## Granville Exempted Village School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement 9	\$21,665,883	\$1,978,610
Investments of the Cash Management Pool:		
STAR Ohio	(20,605,761)	20,605,761
Repurchase Agreements	(1,625,763)	1,625,763
Federal Home Loan Bank Notes	<u>(494,000)</u>	<u>494,000</u>
GASB Statement 3	<u><u>(\$1,059,641)</u></u>	<u><u>\$24,704,134</u></u>

### **NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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The assessed values upon which fiscal year 2002 taxes were collected are:

	<u>2001 Second- Half Collections</u>		<u>2002 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/ Residential and Other Real Estate	\$241,344,050	92.64%	\$250,892,720	92.94%
Public Utility	9,583,630	3.68	7,820,370	2.90
Tangible Personal Property	<u>9,596,020</u>	<u>3.68</u>	<u>11,240,640</u>	<u>4.16</u>
Total Assessed Value	<u><u>\$260,523,700</u></u>	<u><u>100.00%</u></u>	<u><u>\$269,953,730</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$75.50		\$75.49	

The School District receives property taxes from Licking County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2002, was \$395,800 in the General Fund, \$6,200 in the School Facility Maintenance Special Revenue Fund, \$90,600 in the Bond Retirement Debt Service Fund, and \$19,000 in the Permanent Improvement Capital Projects Fund. Also intended to finance current fiscal year operations is the June 30 personal property tax settlement that was not received until July, 2002 in the amount of \$72,790 in the General Fund, \$572 in the School Facility Maintenance Special Revenue Fund, \$8,796 in the Bond Retirement Debt Service Fund, and \$1,946 in the Permanent Improvement Capital Projects Fund.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>General Fund</u>	
BWC Reimbursement	\$263
Licking County JVS	<u>461</u>
Total General Fund	<u>724</u>
<u>Special Revenue Funds</u>	
Title VI-B	1,440
Chapter II	4,544
Drug Free Grant	<u>3,826</u>
Total Special Revenue Funds	<u>9,810</u>
Total Intergovernmental Receivables	<u><u>\$10,534</u></u>

**NOTE 7 - FIXED ASSETS**

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance at 6/30/2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/2002</u>
Land and Improvements	\$2,284,785	\$78,020	\$0	\$2,362,805
Buildings and Improvements	17,115,340	97,921	0	17,213,261
Furniture, Fixtures and Equipment	2,252,515	71,348	45,453	2,278,410
Vehicles	958,947	121,504	37,126	1,043,325
Construction in Progress	<u>1,354,726</u>	<u>11,876,535</u>	<u>0</u>	<u>13,231,261</u>
Totals	<u><u>\$23,966,313</u></u>	<u><u>\$12,245,328</u></u>	<u><u>\$82,579</u></u>	<u><u>\$36,129,062</u></u>

**NOTE 8 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002 the School District contracted with the Republic Franklin Insurance Company, through Accordia, for property, electronic equipment, commercial articles, valuable papers, contractor equipment, and crime insurance and through Nationwide Mutual Insurance for general liability insurance and fleet insurance. The School District contracted with Atlantic Mutual Companies for their builders risk insurance. Coverage provided is as follows:

## Granville Exempted Village School District, Ohio

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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Building and Contents-replacement cost (\$1,000 deductible)	\$25,689,431
Inland Marine Coverage	
Contractor Equipment (\$250 deductible)	500,000
Musical Instruments (\$250 deductible)	500,000
Audio/Visual Equipment (\$250 deductible)	50,000
Equipment (\$100 deductible)	375,000
Data/Media (\$100 deductible)	65,000
Extra Expense (\$100 deductible)	55,000
Valuable Papers and Records (\$100 deductible)	100,000
Accounts Receivable (\$0 deductible)	50,000
Depositors Forger	100,000
Public Employee Dishonesty	100,000
Money & Sec-Inside	25,000
Fleet Insurance (\$100 deductible)	1,000,000
Uninsured Motorists	1,000,000
Builders Risk (\$2,500 deductible)	250,000

During fiscal year 2002, the Educational Service Center joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 17)

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability Per occurrence	\$1,000,000
Aggregate Per Year	3,000,000
Fire Damage	500,000
Medical Expense	10,000
Employers Liability	1,000,000
Education Umbrella Liability Policy	
For General Liability (\$2,500 deductible)	
Per occurrence	1,000,000
Aggregate Per Year	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

In fiscal year 2002, the School District participated in the Metropolitan Educational Council (MEC), an insurance purchasing pool (Note 17). MEC helps member school districts receive discounted rates on various items such as their life, property, boiler and machinery, inland marine, crime, and freight insurances, services, supplies, and other items. The MEC is composed of over 100 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county.

## **Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

### **NOTE 9 - DEFINED BENEFIT PENSION PLANS**

#### **A. School Employees Retirement System**

The Granville Exempted Village School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 100 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate for the School District is 14 percent of the annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of the annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$76,530, \$61,532, and \$63,019, respectively; 53 percent has been contributed for fiscal year 2002 and 100 percent has been contributed for the fiscal years 2001 and 2000. \$36,339 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

#### **B. State Teachers Retirement System**

The Granville Exempted Village School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

## Granville Exempted Village School District, Ohio

### Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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For fiscal year ended June 30, 2002 plan members are required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$706,830, \$619,365, and \$316,291, respectively; 82 percent has been contributed for fiscal year 2002 and 100 percent has been contributed for the fiscal years 2001 and 2000. \$130,269 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

#### **NOTE 10 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$334,814 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the fund was \$3.256 billion. For year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial credit service. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$131,601.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for the maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for the payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 199 days for all personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 43 days for classified and certified employees.

**B. Health Care Benefits**

The School District provides health, drug, and dental insurance for all eligible employees through Anthem Blue Cross and Blue Shield of Ohio. The School District pays medical and drug monthly premiums for staff for family and single coverage. The School District pays the total monthly premium for dental insurance coverage for family and single employees. The School District also provides vision insurance to its employees through Vision Plus. The School District pays the total premium for vision coverage for family and single coverage.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Metropolitan Educational Council Group Life Insurance. Premiums are paid from the same funds that pay the employees' salaries.

**NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE**

The School District has entered into capitalized leases for a copier and library automation equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets acquired by lease have been capitalized in the general fixed asset account group in the amount of \$186,729. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligation account group. Principal payments in fiscal year 2002 totaled \$35,100 in the governmental funds. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

<u>Fiscal Year Ending June 30,</u>	<u>GLTOAG</u>
2003	\$48,089
2004	43,726
2005	42,900
Total	134,715
Less: Amount Representing Interest	(15,393)
Present Value of Net Minimum Lease Payments	<u>\$119,322</u>



**Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

**NOTE 13 - CONTRACTUAL OBLIGATIONS**

As of June 30, 2002, the School District had contractual purchase commitments for several projects. The amount for each contractor is as follows:

<u>Contractor</u>	<u>Fund</u>	<u>Purchase Commitments</u>	<u>Amounts Paid as of 06/30/02</u>	<u>Amounts Remaining on Contracts</u>
Columbus Abatement Co. Inc.	Building	\$170,000	\$29,500	\$140,500
Gutridge Plumbing, Inc.	Building	200,464	15,601	184,863
Kokosing Construction Co.	Building	261,985	0	261,985
Simplex Grinnell	Building	191,630	0	191,630
Louis R. Polster Co.	Building	162,599	0	162,599
Consortium Communications	Building	138,015	14,564	123,451
Accurate Electric	Building	1,706,409	376,768	1,329,641
Houston Plumbing	Building	2,259,485	693,681	1,565,804
The Kenny Houston Co.	Building	1,748,000	0	1,748,000
Farnham Equipment Co.	Building	547,901	397,356	150,545
Wood Electric	Building	965,707	922,731	42,976
Howards Sheet Metal	Building	1,298,146	1,247,513	50,633
Steve Stone Masonary	Building	1,193,750	1,169,589	24,161
The Altman Co.	Building	3,613,784	3,219,061	394,723
Rite Rug Inc.	Building	131,800	121,928	9,872
Layton Excavating	Building	975,961	790,766	185,195
Williamson Builders, Inc.	Building	3,597,381	0	3,597,381
Corna/ Kokosing Construction	Building	1,730,500	1,590,135	140,365
Furniture Focus Corporation	Building	70,595	0	70,595
Mark Knapp Crawfis Assoc.	Building	953,414	303,364	650,050
Quandel	Building	1,450,000	949,000	501,000
Total		<u>\$23,367,526</u>	<u>\$11,841,557</u>	<u>\$11,525,969</u>

**Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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**NOTE 14 - NOTES PAYABLE**

A summary of the note transactions for the year ended June 30, 2002 follows:

	<u>Outstanding 6/30/2001</u>	<u>Additions</u>	<u>Retired</u>	<u>Outstanding 6/30/2002</u>
Capital Projects Fund:				
4.87% School Improvement Note	\$10,000,000	\$0	\$10,000,000	\$0
3.60% School Improvement Note	10,000,000	0	10,000,000	0
2.70% School Improvement Note	<u>0</u>	<u>10,000,000</u>	<u>0</u>	<u>10,000,000</u>
Total Notes Outstanding	<u>\$20,000,000</u>	<u>\$10,000,000</u>	<u>\$20,000,000</u>	<u>\$10,000,000</u>

The notes are bond anticipation notes, backed by the full faith and credit of Granville Exempted Village School District. The remaining notes were issued at a \$23,400 premium. The remaining note matures on May 1, 2003.

**Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

**NOTE 15 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<u>Principal Outstanding 6/30/2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/2002</u>
School Improvement Refunding Bond 1994 2.6% - 4.65%	\$4,386,838	\$0	\$575,000	\$3,811,838
Notes Payable 2001 4.87%	21,220,000	0	21,220,000	0
School Improvement Bond 2002 2.5 - 5.5%	0	21,180,000	0	21,180,000
School Improvement Capital Appreciation Bond 2002 34.7%	0	36,573	0	36,573
Energy Conservation Bond 1994 5.75% - 5.9%	<u>187,000</u>	<u>0</u>	<u>45,000</u>	<u>142,000</u>
Total Long-Term Notes and Bonds	<u>25,793,838</u>	<u>21,216,573</u>	<u>21,840,000</u>	<u>25,170,411</u>
Capital Leases	154,422	0	35,100	119,322
Pension Obligation	105,721	77,524	105,721	77,524
Compensated Absences	<u>493,661</u>	<u>103,862</u>	<u>151,288</u>	<u>446,235</u>
Total General Long-Term Obligations	<u><u>\$26,547,642</u></u>	<u><u>\$21,397,959</u></u>	<u><u>\$22,132,109</u></u>	<u><u>\$25,813,492</u></u>

School Improvement General Obligation Refunding Bonds - On October 15, 1993, Granville Exempted Village School District issued \$7,536,838 in School Improvement General Obligation Refunding Bonds with an interest rate varying from 2.6% to 4.65% to advance refund \$7,540,000 of outstanding 1990 school improvement bonds with an average interest rate of 10 percent. The proceeds of the refunding were deposited in an irrevocable trust with Park National Bank to provide for all future debt service payments. As a result, the 1990 Series bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet. As of June 30, 2002, \$6,311,100 in investments remained with the escrow agent to retire outstanding bonds in the amount of \$3,811,838.

**Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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The School District issued School Improvement bond anticipation notes at 4.87% for \$21,220,000 on May 3, 2001, as a result of the School District passing a 7.75 mill levy on November 7, 2000. The purpose of the notes is to build a new intermediate/elementary building for grades 4-6, an expansion of the high school, a new maintenance building, renovation of the elementary school and middle school, and to update building technology. The School Improvement bond anticipation notes matured on December 6, 2001.

On October 4, 2001 the School District issued \$21,209,782 in general obligation School Improvement bonds to pay off the bond anticipation notes. The School District received \$22,053,938 in bond proceeds, which includes a \$835,218 premium and \$8,938 in accrued interest. The bonds were issued for a twenty-seven year period with final maturity at December 1, 2028. The liability for the bonds is recorded in the General Long-Term Obligations Account Group with annual principal and interest requirements retired from the debt service fund.

The \$21,209,782 bond issue consists of serial, term, and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 2.5-4.75%. The term bonds that mature in the year 2024, with an interest rate of 5.0% are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2017, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2017	\$515,000
2018	740,000
2019	880,000
2020	1,025,000
2021	1,175,000
2022	1,435,000
2023	1,705,000

The term bonds maturing on December 1, 2028, with an interest rate of 5.5%, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2025, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2025	\$2,285,000
2026	2,410,000
2027	2,545,000

The term bonds maturing after December 1, 2011 are subject to optional redemption, in whole or in part on any date in order of maturity as determined by the District and by lot within a maturity, at the option of the Board of Education on or after December 1, 2011.

The capital appreciation bonds will mature December 1, 2012 through 2016. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$2,175,000. The fiscal year 2002 accretion amount is \$6,791.

**Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

The total principal and interest requirements to retire the general obligation bonds, including \$30,302,570 interest, are as follows:

Year Ending June 30	School Improvement Refunding Bond	School Improvement Bonds	Totals
2003	\$729,201	\$1,205,835	\$1,935,036
2004	731,510	1,296,100	2,027,610
2005	721,744	1,342,353	2,064,097
2006	941,647	1,337,085	2,278,732
2007	686,205	1,337,493	2,023,698
2008-2012	3,309,757	6,477,935	9,787,692
2013-2017	2,265,648	9,009,468	11,275,116
2018-2022	0	8,777,625	8,777,625
2022-2026	0	12,433,214	12,433,214
2026-2028	0	4,866,588	4,866,588
<b>Total</b>	<b>\$9,385,712</b>	<b>\$48,083,696</b>	<b>\$57,469,408</b>

Energy Conservation Bond - On October 4, 1994, Granville Exempted Village School District issued \$402,100 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The bonds were issued for a ten year period with final maturity during fiscal year 2005. The bonds will be retired from the debt service fund. The total principal and interest requirements on the general obligation bonds to maturity, including \$16,707 interest, are as follows:

Year Ending June 30	Energy Conservation Bonds
2003	\$53,261
2004	55,673
2005	49,773
<b>Total</b>	<b>\$158,707</b>

The Bonds maturing on and after March 1, 2000 are subject to prior redemption, by and at the sole option of the Board of Education of the District, either in whole or in part (as selected by that Board) on any date on or after March 1, 2000, in integral multiples of \$1,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

Redemption Dates (inclusive)	Redemption Prices
March 1, 2000 through February 28, 2001	101%
March 1, 2001 and thereafter	100%

## **Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$1,141,044 with an unvoted debt margin of \$269,954 at June 30, 2002.

### **NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

#### **A. Licking Area Computer Association**

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's fixed assets. The School District's total payments to LACA for fiscal year 2002 were \$56,406. Financial statements for LACA can be obtained from their fiscal agent the Licking County Joint Vocational School District, 150 Price Road, Newark, OH 43055.

#### **B. Licking County Joint Vocational School**

The Licking County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of three representatives from the Licking County Educational Service Center, two from the Newark City School District, one from the Heath City School District, and one from the Granville Exempted Village School District, which possesses its own budgeting and taxing authority. To obtain financial information write to the Licking County Joint Vocational School, Cory Thompson, who serves as Treasurer, at 150 Price Road, Newark, Ohio 43055.

#### **C. Metropolitan Educational Council**

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 135 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 2002 was \$773. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

## **Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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### **D. Central Ohio Special Education Regional Resource Center**

The Central Ohio Educational Resource Center (COSERRC) provides special education services at a regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. The Granville School District has a cooperative agency agreement with COSERRC. There is no financial commitment by the School District for its participation in the projects. The School District has one representative on the governing board. Nothing was paid to COSERRC during fiscal year 2002. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, Ohio 43214.

### **E. School Study Council of Ohio**

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board) that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts maintain active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and voting privileges. School districts that elect to be associate members are entitled to attend meetings and participate in Council discussions but are not entitled to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2002, the Board consisted of fourteen members. In fiscal year 2002, Granville Exempted Village School District obtained active membership privileges and paid a membership fee of \$350. Financial information may be obtained by contacting the School Study Council of Ohio at 4807 Evanswood Drive, Suite 300, Columbus, Ohio 43229.

### **F. Newark-Granville Community Authority**

The Newark-Granville Community Authority is a jointly governed organization created under Section 349.03, Ohio Revised Code. The Newark-Granville Community Authority is operated by a Board of Trustees (Board) that is comprised of three community members to represent the interests of present and future residents of the new community district (Park Trails Community) created by the Board of County Commissioners of Licking County, Ohio, one local government representative from the township, and three representatives of the Granville Exempted Village School District. This organization was formed to provide additional monies to the School District from special assessments imposed by Licking County on Park Trails Community. The special assessment is based on a \$250,000 average home value within the new community, a minimum annual community development charge of \$455 for 20 consecutive years (5.2 mills times \$250,000).

## **NOTE 17 - INSURANCE PURCHASING POOL**

### **A. Ohio School Board Association Workers' Compensation Group Rating Plan**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**B. Metropolitan Educational Council Group Insurance Pool**

The School District participates in the Metropolitan Educational Council (MEC), an insurance purchasing pool. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The organization is composed of over 135 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program.

**C. Ohio School Plan**

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**NOTE 18 - RELATED ORGANIZATION**

**Granville Schools Charitable Foundation, Incorporated**

The Granville Schools Charitable Foundation, authorized under Ohio Revised Code Chapter 1702, is an independent nonprofit corporation created in 1994. The Foundation's purpose is to improve the education for the students of Granville Schools. The Foundation is governed by a Board of Trustees appointed by the Granville Exempted Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. The School District has no ability to impose its will on the organization nor does a burden/benefit relationship exist. The School District made no contributions to the Foundation during fiscal year 2002. Financial information can be obtained from the Granville Schools Charitable Foundation, Norman Kennedy, who serves as Treasurer, at P.O. Box 417, Granville, Ohio 43023.

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.



**Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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**B. Litigation**

The School District is currently not a party to any material legal proceedings.

**NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The School District was also required to set aside money for budget stabilization. Senate Bill 345, effective April 10, 2001, eliminated the budget stabilization requirement and placed restrictions on the budget stabilization money relating to the worker's compensation refunds. The full amount of the budget stabilization was expended by June 30, 2002 according to State guidelines.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2001	(\$559,810)	(\$1,973,291)	\$48,243
Current Year Set-aside Requirement	228,631	228,631	0
Current Year Offsets	0	(1,154,021)	0
Purchased Buses	0	0	(48,243)
Qualifying Disbursements	<u>(423,806)</u>	<u>(12,384,749)</u>	<u>0</u>
Total	<u>(\$754,985)</u>	<u>(\$15,283,430)</u>	<u>\$0</u>
Balance Carried Forward to FY 2003	<u>(\$754,985)</u>	<u>(\$13,801,031)</u>	<u></u>
Cash Balances to Carry Forward to FY 2003	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Granville Exempted Village School District, Ohio**

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. The extra amounts in the textbooks and capital acquisition set asides may be used to reduce the set-aside requirements in future fiscal years. During fiscal year 2002, the School District spent their entire budget reserve monies on school buses.

**NOTE 21 - ACCOUNTABILITY AND COMPLIANCE**

The following funds had deficit fund balances as of June 30, 2002:

	<u>Deficit Fund Balances</u>
<u>Special Revenue Funds:</u>	
Chapter 1	\$189
Class Size Reduction	746

The deficits in the special revenue funds are the result of the recognition of payables in accordance with generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 22 - STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.



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Betty Montgomery**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Board of Education  
Granville Exempted Village School District  
Licking County  
P.O. Box 417  
Granville, Ohio 43023-0417

We have audited the general-purpose financial statements of the Granville Exempted Village School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general-purpose financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-10645-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 17, 2003.

This report is intended for the information and use of management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**BETTY MONTGOMERY**  
Auditor of State

January 17, 2003

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2002**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2002-10645-001</b>
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**Fixed Assets**

The District's fixed asset listing has not been updated each year with all additions and deletions. Variances between the District's fixed asset data base totals and amounts reported on the District's financial statements exist. Other noted inconsistencies include:

1. Land and Construction in Progress were being depreciated.
2. Depreciation expense has not been calculated correctly for some assets.
3. Vehicles have not been added to the asset data base.

These weaknesses could result in the theft, loss, or acquisition of assets without management's detection and also result in inaccurate financial reporting of the District's fixed assets and material errors in reported depreciation expense for future years. These inconsistencies will also have a significant effect on the transition to the new GASB-34 reporting model which the District plans to implement in fiscal 2003.

The Treasurer should review the fixed asset data base to ensure that all additions/deletions have been added/deleted since the last fixed asset listing was compiled by a District consultant. The data base should be reviewed for reasonable estimated lives of assets based on the type of asset, proper salvage values, fund and function of each asset and assure that depreciation is being calculated correctly. In addition, all vehicles should be added to the data base.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-10645-001	Sales Potential and Summary Forms not used and completed for student activity projects.	See explanation	Partially Corrected – Sales Potential Forms are used but not reviewed/approved by appropriate parties. A Management Letter comment has been issued.



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**GRANVILLE EXMPTED VILLAGE SCHOOL DISTRICT**

**LICKING COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 11, 2003**